STATE OF THE STATE January 30, 2013

Better Choices; Better Results

ACKNOWLEDGMENTS

Mr. Speaker, Mr. President, Distinguished Minority Leaders, Lieutenant Governor Brown, Treasurer Kopp, Governor Hughes, Governor Glendening, Attorney General Gansler, Attorney General Curran; colleagues in city and county government; Congressman Cummings, Congresswoman Edwards; Mayor Vincent Gray; Ambassador Darmanovic, Ambassador Schnepf, Ambassador Negodic, Ambassador Al-Rumaihi, Ambassador Kislyak; Members of the most effective cabinet in the United States of America; Katie O'Malley, men and women of the Maryland General Assembly.

There is more that unites us than divides us, and one of those things is the Baltimore Ravens!!!

All of us are familiar with the Ravens story, but there are also a number of remarkable people with us here today in the Gallery and I wanted to share a few of their stories with you now.

First, one of our nation's leading minds and most prominent advocates for science, technology, engineering, and math education. You may know him as a member of our State School Board. Later this week, President Obama will be awarding him the National Medal of Science for his achievement in physics – Dr. James Gates.¹

Two years ago, this next Marylander and her children were homeless. Today, she's turned a temporary work placement into a good, full-time job. Please welcome Janice Spanish from Caroline County and the dedicated state employee from our Department of Human Resources who helped her secure this opportunity, Melissa Jones-Harris.²

Within the heart of every individual is a spirit and dignity that yearns to be recognized. Twelve months ago, just outside these doors, we officially recognized for the first time in 380 years the Piscataway people, in a ceremony none of us will soon forget. Please welcome Tribal Chair Mervin Savoy of the Piscataway Conoy Tribe.³

We are also joined by a great Mayor, who, because of budget constraints also serves as City Manager. When his own home was flooded during Hurricane Sandy, he set aside his personal needs and instead

¹ Dr. S. James Gates, Jr. is one of twelve researchers honored with this year's <u>National Medal of Science</u>- the highest honor bestowed by the United States Government upon scientists, engineers and inventors- for his work in physics. Appointed by Governor O'Malley to the Maryland State Board of Education in 2009, Dr. Gates is an advocate for K-12 STEM education in Maryland. He is currently the John S. Toll Professor of Physics and the Director of the Center for String and Particle Theory at the University of Maryland College Park. A Prince George's County resident, this year marks his 40th year of teaching.

² Work Experience Placements are part of the Maryland Department of Human Resources' Work Opportunities Program for Temporary Cash Assistance beneficiaries. Case managers such as Melissa Jones-Harris work with beneficiaries to develop career goals and address any career barriers. Spanish was originally placed by Jones-Harris in a Work Experience Placement with the Caroline Nursing Home. The Home was so impressed by Spanish that they offered her a full-time job; Spanish continues to work at the Home today. The Work Opportunities Program serves 300 clients in Caroline County each year and 22,800 statewide.

³ In January 2012, Governor Martin O'Malley signed two historic Executive Orders recognizing Maryland Indian status of two groups indigenous to the State of Maryland. With the signing of the Executive Orders, Governor O'Malley officially made the Piscataway Indian Nation and the Piscataway Conoy Tribe the first state recognized tribes in Maryland history. The Piscataway Conoy petition for recognition includes the Piscataway Conoy Confederacy and subtribes, and the Cedarville Band of Piscataway.

worked day and night to help the families of his city through the crisis. From the courageous City of Crisfield – Mayor P.J. Purnell.

INTRODUCTION

My fellow Marylanders: the story of Dr. Gates, the story of Janice and Melissa, the story of Tribal Chair Savoy and all the Piscataway people, the story of Crisfield and of Mayor Purnell, the sacrifices of our fallen heroes – these are *our* stories. Stories of courage. Stories of perseverance.

It is a tremendous honor to serve the people of Maryland.

When faced with the adversity of the national recession, the people of our State did not make excuses. Instead, they started businesses. They enrolled in night school. They made difficult decisions around the kitchen table about how to do more for their children. They volunteered through churches, synagogues, and mosques. They pulled their neighbors through Hurricane Sandy and the heavy blizzard that struck Garrett County.

What we have experienced, together, over these last several years... what we have shared with one another, was not denial. It was not fear. Nor was it merely hope. It was belief. Our belief in the dignity of every individual. Our belief in our own responsibility to advance the common good. Our belief that we are all in this together, and that tomorrow can be better than today – if, with God's grace, we choose to make it so.

Progress is a choice. Job creation is a choice. Whether we give our children a future of more or a future of less – this, too, is a choice.

Our story, Maryland's story, is the story of better choices and better results.

No other state can say at once, that they are #1 in education five years in a row.⁴ #1 in holding down the cost of college tuition.⁵ #1 in innovation and entrepreneurship.⁶ #1 in human capital capacity.⁷ #1 in access to dental care for all children, regardless of income.⁸ #1 in PHD scientists and researchers.⁹ #1 in Research and Development.¹⁰ #1 in businesses owned by women.¹¹ #1 in median family income.¹² And we're not done yet.

⁴ In 2012, <u>Education Week</u> ranked Maryland's public schools #1 in the nation for the 5th consecutive year. Maryland received perfect scores in Early-Childhood Education and Economy and Workforce.

⁵ From the 2007-2008 school year to the 2011-2012 school year, tuition at Maryland's public four-year institutions increased only 2%- the lowest increase in the nation according to The College Board.

⁶ The <u>US Chamber of Commerce</u> ranked Maryland #1 in Entrepreneurship and Innovation in their 2012 *Enterprising States* report. The Chamber also ranked Maryland in the Top Five for Economic Performance for the third year in a row.

⁷ The Milken Institute ranks Maryland #1 in human capital capacity recognizing Maryland's highly educated workforce.

⁸ Maryland was one of only seven states awarded an A by the <u>Pew Center on the States</u> in *The State of Children's Dental Health: Making Coverage Matter.*

⁹ According to the National Science Foundation and the Bureau of Labor Statistics, Maryland has the most employed PhD scientists and engineers per 100,000 employed workers of any state in the nation.

¹⁰ Maryland receives the most federal research and development dollars per capita in the nation according to the <u>Milken Institute</u>. Research and development investments in Maryland are over 40% greater than that of second-place New Mexico's.

¹¹ One-third of all businesses in Maryland are owned by a woman- the country's highest percentage. While work remains to be done, Maryland's wage gap is the second lowest in the nation and 12% lower than the national average according to the <u>American Association of University Women</u> and the 2011 American Community Survey.

¹² Maryland's family median income is \$83,823- the highest in the nation according to the 2011 American Community Survey.

As we emerge from the toughest of economic times, the State of our State is strong, and we are growing stronger still.

None of this happened by chance.

BETTER CHOICES; BETTER RESULTS

Remember seven years ago? Our State had veered off course. We started following the same, nevermind-the-math approach that created our federal deficits. Democrats and Republicans alike – in this very Chamber – had voted to cut taxes for millionaires, and to greatly increase state spending, without paying for either one.

The result: a \$1.7 billion structural deficit. What's less, we were paying taxes for a government that was not working; that was failing to deliver results. Underperforming schools. It Tuition hikes approaching 40%. Rising crime outside of Baltimore.

But in 2007, together, we started making better choices. We cut spending growth. ¹⁷ We added a penny to the sales tax to improve our children's education. ¹⁸ We restored revenues by making our tax code more progressive and fair. ¹⁹ We took concrete action to close our structural deficit. ²⁰

When the national recession hit – wiping out jobs and revenues all across our country – other states tried to cut their way to prosperity. Many found this only made things worse. Laying off police officers, ²¹ fire fighters and teachers. ²² Cutting public education. ²³ Hiking up college tuition by double

¹³ In 2007, the State faced a \$1.7 billion structural deficit, a result of \$1 billion in income tax cuts in the late 1990's, \$1.5 billion in increased education spending starting in 2002, and four years of insufficient action to close the deficit from 2002 to 2006.

¹⁴ In 2006, only 60% of Maryland's middle school students scored proficient or advanced in math; less than 70% scored proficient or advanced in reading. Last year, a record 76% of our middle school students passed their math exam and 82% passed their reading exam.

¹⁵ The cost of in-state tuition at the University of Maryland-College Park increased 37% from \$4,800 in FY2003 to \$6,566 in FY2007.

¹⁶ From 1999 to 2006, the hardworking men and women of Baltimore City's law enforcement drove down violent crime 42%. During that same period, violent crime rose statewide (excluding Baltimore City) 16%.

 ¹⁷ In Governor O'Malley's first year in office, the O'Malley-Brown Administration made \$1.376 billion in spending cuts: \$536 million in the
 2007 Legislative Session, \$550 million in the 2007 Special Session and \$280 million through meetings of the Board of Public Works.
 18 In FY2007, only 69 cents of every General Fund dollar went to education and health care. In 2007, the State Sales tax was increased by one cent on the dollar to increase investment in education and health care. Today, Marylanders pay the 8th lowest sales tax in the nation according to the Tax Foundation and 72 cents of every General Fund dollar goes to education and health care.

¹⁹ We have taken several actions to make our tax code more progressive by asking more of higher earners while providing tax relief for middle and lower earners. In 2007, new income tax rates were established for higher earners while their personal exemptions were decreased. At the same time, middle and lower earners saw both their personal exemptions and their refundable earned income credits expand providing tax relief for 86% of Maryland taxpayers. In 2008, a three year income tax surcharge was imposed on millionaires. In 2012's Special Session we further adjusted rates phasing out exemptions for higher earners. These changes impacted only the top 13.7% of Maryland tax payers.

²⁰ In the 2007 Special Session, Governor O'Malley and the General Assembly took action to close the structural budget deficit by reducing spending by \$550 million in the FY2009 budget, increasing General Fund revenues by more than \$800 million in FY2009 and approving a new recurring revenue source from Video Lottery Terminals. These actions would have erased the structural deficit by FY2012 leaving the State with a projected cash surplus of \$290 million.

²¹ In 2011, Camden, New Jersey cut their police department nearly in half laying off 163 officers bringing the size of the department down to its 1949 level. Despite its high homicide rate, Flint, Michigan laid off two-thirds of their police force from 2009 through 2011. On a typical Saturday night in 2011, Flint had only six patrolmen on duty according to a report by the US Department of Justice Office of Community Oriented Policing Services.

²² More than 300,000 teachers lost their jobs from the end of the recession to July 2012 according to a <u>2012 White House report</u>. (This is in stark contrast to previous recession recoveries; following previous recessions, local public education was a source of job creation.) As a result of these layoffs, the average student-teacher ratio increased 4.6% from 2008 to 2010 rolling back all of the gains made since 2000. The economy is also affected by such drastic public sector layoffs; if governments still employed the same percentage of the work force as they did in 2009, the unemployment rate would be a percentage point lower, according to an analysis by <u>Moody's Analytics</u>.

²³ The majority of states decreased per-student spending from FY2008 to FY2013. Maryland, by contrast, increased per-student spending by 7.4% during that time- the third highest increase in the nation according to the Center on Budget and Policy Priorities.

digits every single year.²⁴ Continuing down the merry path of cutting taxes for the very wealthy,²⁵ hoping against cruel experience that somehow it would trickle down to the rest of their citizens.

But in Maryland, we made better choices.

We used the pressure of sinking revenues to make government more efficient. For the first time, we started setting public goals with more immediate deadlines. We started measuring weekly performance to make government more effective.²⁶

We constrained budget growth²⁷ and made government smaller.²⁸ We strengthened our Rainy Day Fund²⁹ and protected our Triple A Bond Rating.³⁰

We fixed our pension system.³¹ We reformed hundreds of pages of regulations,³² streamlined permitting,³³ and fast tracked jobs projects.³⁴ We eliminated paperwork, simplified applications for business licenses, and reduced waiting times from months to days.³⁵

We advanced public-private partnerships to create thousands of jobs at the Port of Baltimore.³⁶

²⁴ From the 2010-2011 school year to the 2011-2012 school year, several states made <u>double-digit increases</u> to the cost of public higher education. For example, California increased in-state tuition and fees 20.5%, Arizona increased in-state tuition and fees 16.8%, Georgia increased in-state tuition and fees 15.9%, Washington increased in-state tuition and fees 15.7% and Nevada increased in-state tuition and fees 13.7%.

²⁵ In 2012, <u>Kansas voted to cut the income tax rate</u> for the state's top earners and eliminate income taxes on the self-employed. To balance their budget, Kansas plans to make over \$800 million in cuts to education and social services spending by 2014.

²⁶ Governor O'Malley set <u>15 strategic</u>, measurable goals for the State of Maryland and implemented StateStat, modeled after the CitiStat program he implemented as Mayor of Baltimore City, to track progress towards these goals. At bi-weekly StateStat meetings, State managers meet with the Governor and his executive staff to report and answer questions on agency performance and priority initiatives. Maryland has currently delivered 5 of these goals and is on track to meet 5 others.

²⁷The O'Malley-Brown Administration has kept average annual budget growth (excluding appropriations to the Rainy Day Fund) to 2%- 73% lower than Governor Ehrlich's average annual budget growth of 7.5% and 85% lower than Governor Mandel's average annual budget growth of 13.4%.

²⁸ Since taking office, the O'Malley-Brown Administration has abolished 5,738 State positions. Today, Maryland's Executive Branch is the smallest per capita since 1973.

²⁹ The proposed FY2014 budget increases the Rainy Day Fund by a net \$220 M bringing it to \$921 M or 6% of revenues.

³⁰ Maryland's AAA bond rating was reaffirmed by all three bond rating agencies in July. Maryland is one of only 9 states to earn a Triple A Bond Rating, certified by all three rating agencies.

³¹ In April of 2011, the General Assembly approved modifications of Governor O'Malley's comprehensive retirement reform proposal that preserved a defined benefit for state workers, enhanced funding of the pension system and ensured sustainability of pensions for state workers; reform changes were effective July 1, 2011. The most significant modification for active employees in the Employees' and Teachers' Pension Systems was an increase in the contribution level in order to maintain the current benefit level upon retirement. Employees hired on or after July 1, 2011 contribute 7% as well, but earn a reduced benefit. Pension reforms had no impact on benefits for those already retired as of July 2011 or on benefits already earned by active or former employees. 80% system funding- a benchmark for a healthy pension system-will be achieved by 2023.

³² Following an Executive Order issued by Governor O'Malley in 2011, Maryland's state agencies with the help of Maryland's business community submitted recommendations for regulations to be reformed. In 2012, the Governor submitted more than 130 State regulations to be repealed, revised or streamlined to the AELR Committee in the General Assembly. Currently, state agencies are preparing their recommendations for submission to the Committee; some proposals have already been submitted. The committee should be reviewing the recommendations this session.

⁵³ Following a comprehensive review and restructuring of the access permit process in 2010, the State Highway Administration (SHA) has streamlined its access permits process cutting the average processing time for a permit nearly in half from 28 days in 2009 to 17 days in 2012. SHA reviewed 1,500 projects in 2012 up from 1,000 projects in 2009.

³⁴ In July, Governor O'Malley broke ground on the State's first Fast Track approved project. The first phase alone of the Pike & Rose Project in Rockville will create over 550 jobs and \$3.7 million in real estate tax revenue.

³⁵ In January, Governor O'Malley launched Maryland's <u>Central Business Licensing System</u> (CBL) allowing new business owners to license their business online shortening the time it takes to register a new business from 10 weeks to 5-7 days. Before, new business owners had to full out paper forms and hand deliver, fax or email to the State Department of Assessments and Taxation (SDAT). With CBL, new business owners can establish their business entity and apply for a trade name with the SDAT and establish their tax accounts with the Comptroller's office all online. On average, 47,000 new businesses are registered each year in Maryland. The Department of Business and Economic Investment estimates that nearly 5,000 businesses will save time and resources registering through the CBL each year.

We put real-time information about the people's government on the internet, converted paper notecards to digital files, and used smart maps to better target our limited resources.³⁷

We cut more state spending than any administration in modern Maryland history.³⁸

Recognizing that our diversity is our greatest strength, we moved forward toward the most ambitious goal in America for empowering women and minority owned businesses. And this year, for the first time we exceeded it.³⁹

Knowing that we could not cut our way to prosperity, we balanced record budget cuts with modern investments. Investments in the very priorities that create jobs and expand opportunity: educating, innovating, and rebuilding for a better economic future.

Better choices. Better results. The proof is in our progress.

Progress recovering jobs at the fastest rate of any state in our region. Progress helping more of our neighbors transition from welfare to work -12,000 people last year alone. Progress teaming with businesses large, medium and small to create more jobs -30,300 jobs over the last twelve months.

Together with courageous law enforcement officers and firefighters, we are driving down violent crime, ⁴² driving down homicide, ⁴³ and driving down fire deaths ⁴⁴ – all to historic lows.

We are doing more than any other state to hold down the cost of college tuition.⁴⁵

We are helping more families save their homes from foreclosure. 46

³⁶ In June, four new cranes, the largest of their kind in the maritime industry were delivered to the Port of Baltimore as part of the new \$100 million 50-foot berth being built under the O'Malley-Brown Administration' public-private partnership with Ports America Chesapeake. The cranes are 400 feet tall with the boom at its tip, can reach 22 containers across on a container ship, and lift 187,300 pounds of cargo. Being fully electric they will emit no diesel emissions. Construction of the new berth supported 3,000 jobs. The berth will support another 2,700 jobs when it becomes operational.

³⁷ Maryland's first-in-the-nation web-enabled map <u>GreenPrint</u> enables our State to target its resources towards our most ecologically valuable areas. GreenPrint both informs our land conservation decisions today and also builds a broader and better informed public consensus for sustainable growth and land preservation decisions in the future.

³⁸ The proposed FY14 budget cuts spending by \$325 M bringing the O'Malley-Brown Administration's seven-year total to a record \$8.3 billion in cuts.

³⁹ Governor O'Malley and the Governor's Office of Minority Affairs set a goal of 25% MBE participation in Maryland- the most ambitious MBE participation goal in the country according to the <u>Insight Center for Community Economic Development</u>. In FY2012, MBE participation reached a record 25.2% exceeding the State's goal for the first time. Total MBE awards increased 17.5% from \$1.6 billion in FY2011 to \$1.9 billion in FY2012. Awards to women-owned firms increased 28% from \$429.3 million in FY2011 to \$550.8 million in FY2012. In FY2011, MBE firms supported over 20,000 jobs and stimulated \$1.8 billion in economic activity.

⁴⁰ Maryland has recovered nearly 81% of the jobs lost in the recession at the 8th fastest rate in the nation. In the region, Virginia has recovered nearly 76% of the jobs their state lost in the recession (9th fastest), Pennsylvania has recovered 71% (13th), Delaware has recovered nearly 33% (36th), and West Virginia has recovered 31% (38th).

⁴¹ In FY2012, the Department of Human Resources placed a record 12,228 TANF recipients in jobs. A record 35% of those Marylanders were placed in jobs paying \$10/hour or higher.

⁴² Together with the men and women of Maryland's law enforcement we drove down violent crime 24.4% in 2011 compared to 2006 to a 34-vear low.

⁴³ Together with the men and women of Maryland's law enforcement we drove down homicides 27% in 2011 compared to 2006 to a 26-year low.

⁴⁴ In 2012, together with Maryland's hardworking firefighters we drove down fire deaths to a record low of 51.

⁴⁵ The proposed FY2014 budget keeps tuition growth at Maryland's colleges and universities at 3% for the fourth year in a row. Over seven years, the O'Malley-Brown Administration has kept tuition growth to 12.5% compared to 36.8% growth during the four years of the previous Administration.

We are reducing infant mortality to record lows.⁴⁷ We are now feeding tens of thousands of Maryland children who otherwise would go hungry.⁴⁸ We are doing more than ever before to shelter the homeless.⁴⁹ We are healing families,⁵⁰ and helping our neighbors free themselves from the despair of substance abuse.⁵¹

We are moving record cargo through our Port, ⁵² and record passengers through Baltimore-Washington's Thurgood Marshall Airport. ⁵³

Our actions are making the waters of the Chesapeake Bay healthier – rescuing the Blue Crab; reviving our Native Oyster;⁵⁴ more farmers than ever restoring the waters of our Bay by planting cover crops.⁵⁵

And our record investments in public education are delivering record high student achievement.⁵⁶ Record high graduation rates.⁵⁷ An historic closing of the achievement gaps between white and non-white students.⁵⁸ The best Advanced Placement scores in science, technology, engineering, and math our students have ever achieved.⁵⁹ The best overall AP scores of any state in the nation.⁶⁰

For not one, not two, not three, not four, but five years in a row – the #1 ranked, best public school system in the United States of America!

In the toughest of times, we moved forward, not back.

⁴⁶ In 2012, Maryland's foreclosure rate was the 15th lowest in the nation. Maryland's foreclosure rate of 72 foreclosures per 10,000 households was 49% below the national rate of 140 foreclosures per 10,000 households according to RealtyTrac.

⁴⁷ Infant mortality is considered one of the most sensitive indicators of the overall health of a community, and the O'Malley-Brown Administration has made reducing infant mortality one of its 15 strategic goals for the state. Through several major public health initiatives focused on prevention and quality improvement and targeting high risk jurisdictions we've driven down the infant mortality rate to 6.7 per 1,000 births- 15% lower than in 2006 and the lowest rate on record.

⁴⁸ As a result of the Governor's Partnership to End Childhood Hunger, Maryland's Food Supplement Program more than doubled the number of children it feeds each year from 148,050 in 2006 to 315,405 in 2012.

⁴⁹ The O'Malley-Brown Administration has doubled investment in our Shelter and Transitional Housing Program. The Program provides grants to improve or create transitional housing and emergency shelters with the goal of reducing homelessness in the State. Most recently, the Program provided a \$900,000 grant to help Way Station, Inc turn an office building into a 27-bed transitional housing facility for homeless veterans.

⁵⁰In the past six years we have expanded health care coverage to over 367,000 previously uninsured Marylanders- nearly half of them children. It is our goal to increase that number to 400,000 by end 2013.

⁵¹ The O'Malley-brown Administration made expanding access to substance abuse treatment one of its 15 strategic goals. The number of average daily active patients in State-funded treatment programs increased 26% from 17,809 patients in FY2008 to 22,431 patients in FY2012. ⁵² The Port of Baltimore's public marine terminals handled a record 9.6 million tons of cargo in 2012 breaking the previous record of 9 million tons set before the recession in 2008. The Port is ranked #1 among the 360 ports in the US for handling farm and construction machinery, autos and light trucks, imported forest products, imported sugar, imported iron ore and imported gypsum. Business at the Port creates over 14,600 jobs and supports over 108,000 jobs through linked activities. The Port generates more than \$300 million in state and local tax revenue annually.

⁵³ BWI Marshall Airport served a record number of passengers in 2012. 22.7 million passengers flew through BWI Marshall last year for the third consecutive year of record passenger traffic.

⁵⁴ With tough choices, we've saved the Chesapeake Blue Crab, bringing its population to the highest level in nineteen years. And together with Maryland's watermen, we're restored our Bay's native oyster population, bringing their survival rate to the highest level in 26 years.

⁵⁵ Last year, a record 1,860 farmers planted 413,300 acres of cover crops to control soil erosion, reduce nutrient runoff and protect water quality in streams, rivers and the Chesapeake Bay. Since 2007, Maryland farmers have planted over 1.89 million acres of cover crops.

⁵⁶ Last year, Maryland elementary school students achieved their highest MSA scores ever in both reading and math. Maryland's middle school students achieved their highest scores ever in math.

⁵⁷ In 2012, a record 87% of Maryland's 12th grad students graduated high school.

⁵⁸ Since 2007, we have cut the achievement gap between white and black students in elementary school math and reading by more than a quarter (26% reduction in math, 27% reduction in reading).

⁵⁰ In the 2011-2012 school year, Maryland students took a record 31,042 AP exams in the STEM disciplines - a 56% increase over the 2005-2006 school year. Maryland students scored a 3 or higher on a record 19,078 STEM Exams

⁶⁰ Maryland's students are #1 in AP success for the 4th consecutive year according to The College Board.

JOBS AND EDUCATION

These are the choices we have <u>already</u> made. Now to the choices ahead of us.

Job creation must be our top priority, always. While we are recovering jobs faster than any other state in our region, still too many moms and dads are out of work, and searching for work.

Therefore, this year's budget is a jobs budget: it invests in 43,000 jobs rebuilding roads, bridges, tunnels, community colleges, affordable housing units, clean water infrastructure, and other forward-looking projects. It protects nearly 26,000 law enforcement jobs throughout our State. It supports over 114,000 jobs educating our children.

This jobs budget invests to improve public education and to build new schools. It accelerates the transition from chalk and textbooks in our classrooms, to iPads, laptops, smart-boards, and 21st century digital learning tools.⁶⁴ And once again, it holds down the cost of college tuition.

This progress is only possible with fiscal responsibility and a balanced approach.

The budget before you saves more than recommended by the Spending Affordability Guidelines. It increases both our Rainy Day Fund and our Cash Reserves. ⁶⁵ It protects our Triple A Bond Rating. It very nearly eliminates the structural deficit. ⁶⁶ And, it brings our total spending cuts to \$8.3 billion dollars over the life of this administration.

These are the choices which enable us to invest in a stronger and better future: more job creation, more opportunity, and a stronger, growing middle class.

Innovation & Entrepreneurship

Three stories, all with a common theme:

We are joined today in the Gallery by an inventor and entrepreneur. He reached out to 200 college professors asking for lab space. He received 199 rejections. He went on to invent an inexpensive tool for detecting pancreatic and ovarian cancers – which he has patented. 8,500 of our fellow citizens selected him as the winner of our MDForward contest. What's more, the people at Intel selected him

⁶¹ Governor O'Malley's \$3.7 billion FY2014 capital budget creates and supports 43,000 jobs for Marylanders.

⁶² In Maryland, there are 15,558 sworn law enforcement officers, 8,290 correctional officers, 683 parole and probation officers, 757 juvenile detention officers and case managers, and 649 State's Attorneys.

⁶³ In the 2012-2013 school year, there were 114,497 Marylanders working in and/or supporting Maryland's public schools including 78,676 teachers.

⁶⁴ The proposed FY2014 budget creates a \$5 million Digital Learning Innovation Fund to provide resources to local school districts to accelerate their conversion to comprehensive digital learning environments. MSDE will make grants from the fund to the districts that propose the most compelling plans for conversion to digital learning. Separate competitions would be held for large and for small districts to ensure that districts of varying sizes are selected for funding.

⁶⁵ The proposed FY2014 budget leaves \$236 M in the General Fund's balance (18% more than recommended by the General Assembly's Spending Affordability Guidelines). Combined with appropriations to the Rainy Day Fund, the FY2014 budget brings the State's total cash reserves to \$1.157 B.

⁶⁶ The proposed FY2014 budget reduces the structural deficit by \$318 million (17% of the FY2012 structural deficit). In the past three years we have closed the deficit by \$1.656 billion or 91%.

for their top International Science and Engineering prize. He happens to be 15 years old. Buy stock in this guy and please welcome Jack Andraka and his proud mother, Jane. ⁶⁷

We're also joined by a small business owner from Havre de Grace, who also happens to be a courageous, disabled veteran. She moved her business out of her own dining room and into a store front on South Union Avenue. Now she's tripled her customers. Please welcome Sergeant Leana Nishimura-Stewart.

I had occasion to visit with this next gentleman in Frederick, Maryland. He started a company called Nexus EnergyHomes. They build houses at market prices – and get this, these homes are designed to consume net zero energy. For families, that means energy bills as low as \$3 or \$4 a month. For the people of Frederick, it means hundreds of jobs. Nexus EnergyHomes was a national "home builder of the year" last year. Their CEO, Paul Zanecki also joins us in the Gallery. ⁶⁸

What do these stories have in common? Innovation and entrepreneurship. The United States Chamber of Commerce named Maryland #1 in innovation and entrepreneurship for a reason. And it's a reason to do more, not a reason to do less.

From net zero homes, to mapping the human genome, Marylanders are doing remarkable work that is remaking our world. The life sciences, bio-tech, clean-tech, green-tech, information technology, cyber security, aerospace, and advanced manufacturing – these sectors are all creating jobs right here in Maryland.

Creating jobs through innovation is not just the responsibility of the private sector. There are things we can do together – through the common platform of our government – to accelerate innovation and improve the business climate: Attracting venture capital through *Invest*Maryland. Moving more new technologies and ideas out of our university labs, and into the marketplace for job creation. Leveraging our first-in-the-nation health-IT network. Supporting Lt. Governor Brown's efforts to

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⁶⁷ Inspired by his uncle who passed away from pancreatic cancer, Jack Andraka developed a patent-pending noninvasive and inexpensive cancer-screening paper test strip. The test strip is 168 times faster, 26,000 times less expensive, and 400 times more sensitive than the current gold standard in pancreatic cancer testing. A model of perseverance, Andraka e-mailed 200 professors asking to work in their labs and got 199 rejections- Dr. Anirban Maitra of the Johns Hopkins School of Medicine finally said yes. In May, Andraka won the Intel International Science and Engineering Fair's Gordon Moore Award for his invention. Andraka was also recently profiled in a GE Focus Forward short film.

68 Nexus EnergyHomes is a green company that builds energy efficient, affordable single-family homes, townhomes and duplexes with the ability to be completely energy independent. Homes include PV solar arrays, geothermal heating and cooling, energy recovery ventilation, LED and CFL lights, EnergyStar appliances, windows with high-performance low-E glass and structurally insulated panels, and a proprietary energy usage monitoring and controlling system known as "NexusVision." By the end of this year, Nexus EnergyHomes will have created 242 green jobs for Marylanders. In February 2012, Nexus EnergyHomes was named the EnergyValue Housing Award 2012 Builder of the Year for their "enormous potential to affect both the local and national home building industry."

⁶⁹ Through an online tax credit auction on March 15, *Invest*Maryland raised \$84 million in venture capital for Maryland businesses. Those dollars can be leveraged up to 5 to 10 times that amount in private equity dollars, or roughly \$350 - \$700 million. To date, more than \$2 million has been disbursed to eight Maryland start-ups. In addition, Grotech Ventures was selected as the first private venture firm to receive Invest MD funds for investment. The proposed FY2014 budget invests \$27.9 million in InvestMD to continue to support Maryland's entrepreneurs.

⁷⁰ In 2012, the O'Malley-Brown Administration launched the Maryland Innovation Initiative to unite researchers with entrepreneurs across disciplines and universities to move technology out of the lab and into the marketplace. Johns Hopkins University, Morgan State University and the University of Maryland College Park, Baltimore and Baltimore City have all agreed to participate and invest in the Initiative. In December, Baltimore-based BOSS Medical LLC and two Johns Hopkins researchers were the first recipients of grants from the Maryland Innovation Initiative. The proposed FY2014 budget invests \$5 million in Maryland Innovation Initiative to increase the commercialization of technology in Maryland.

⁷¹ In January 2012, Maryland became the first state in the nation to have all acute care hospitals sharing data through a statewide <u>Health Information Exchange</u>. Still in its first year, doctors and nurses are accessing the exchange over 9,000 times per month and more than 10,000 real-time alerts are sent each month notifying primary care physicians that their patients are at a Maryland hospital.

advance the use of public-private partnerships.⁷² Expanding our successful job creation tax credits for biotech,⁷³ and research and development.⁷⁴ And, by creating a new cyber security tax credit.⁷⁵

There's another important thing we can do this year to create jobs, and that is off-shore wind.

Moving forward with Atlantic off-shore wind could make Maryland, the new regional manufacturing hub for wind turbines. We will create jobs and we will generate abundant, clean, renewable energy, but only if we choose. ⁷⁶ Let's get this done.

Maryland's Workforce

Ultimately, the greatest economic assets we have are the talents and skills of our people. Maryland has built up one of the most highly skilled workforces in the country. The Better choices; better results. But the reality is that too many of the new jobs being created in our new economy go unfilled. Why? Because too many of our people lack the skills to fill them.

Your vote on the EARN bill, will allow us to partner with business to equip more of our workers with the skills they need to fill the jobs that are in highest demand.⁷⁸

Speaking of skilled workers, veterans returning from active duty service face barriers to employment in every state. Oftentimes, this barrier is the state's own licensing system. In Maryland, we can remove those barriers for veterans and their spouses, with your vote for the Veterans Full Employment Act. ⁷⁹

We've made solid progress expanding Career & Technology Education in our high schools.⁸⁰ But there is so much more that we can and must do. If lifelong *learning* is the new reality, then we must give our high school graduates the skills they need for life long *earning*.

⁷² Proposed legislation will make the public-private partnership (P3) process in our state more predictable, streamlined, transparent, and attractive to private investment while ensuring strong workforce protections and maintaining control of State assets. Specifically, the bill amends the definition of a P3 and focuses on partnerships and the delivery of assets. The bill also creates processes for identifying P3 projects, evaluating P3 projects, and provides for legislative oversight of P3 projects. The bill is prospective and is revenue neutral. Initial estimates have found that additional P3s could contribute between six percent and ten percent of Maryland's \$3.1 billion annual capital budget while creating as many as 4,000 jobs.

⁷³ The proposed FY2014 budget expands the Biotechnology Tax Credit by \$2 million from \$8 to \$10 million. Through FY2013 the state has invested \$52 million in more than 50 companies creating more than 220 new biotechnology jobs and leveraging \$96 million in additional investment.

⁷⁴ The proposed FY2014 budget expands the Research and Development Tax Credit by \$2 million from \$6 to \$8 million.

⁷⁵ The proposed \$3 M Cybersecurity Investment Tax Credit will benefit 12-15 seed and early-stage companies annually generating as much as \$9 M in follow-on equity investment in cybersecurity companies in Maryland.

⁷⁶ The proposed offshore wind legislation would incentivize construction of a 200 MW offshore wind farm off the coast of Maryland. In a recent Opinion Works poll, 72% of Marylanders support developing offshore wind power in Maryland even at the cost of an additional two dollars on their monthly electric bill. A 200 MW project would create almost 850 construction jobs and 160 FTE jobs, reduce greenhouse gas emissions by over 378,000 tons per year, save Maryland's economy over \$17 million in annual public health costs and supply enough electricity to power a third of the homes on the Eastern Shore or almost a quarter of the homes in Baltimore City.

⁷⁷ The Milken Institute ranks Maryland first in the nation in human capital capacity for its "highly educated workforce and high number of advanced degrees." Maryland ranks among the top five states in five of the nine metrics used to measured human capital capacity. More Marylanders over the age of 25 hold a Bachelor's degree than any other state in the region, the second most in the nation according to the 2011 American Community Survey.

⁷⁸ The Employment Advancement Right Now Act will provide funding, made available through a competitive grant process managed by DLLR, for workforce training collaborations between businesses, local government and non-profits. DLLR and DBED will work together to develop sector strategies based on regional labor needs. It is anticipated that EARN will focus primarily on the following sectors: Construction, Traditional and Advanced Manufacturing, Cyber and Healthcare. The proposed FY2014 budget invests \$2.5 million in EARN. ⁷⁹ The proposed Veterans Full Employment Act of 2013 removes barriers to the employment of veterans and military spouses by: (1) requiring Maryland's licensing boards to credit veterans for relevant military training, education, and experience; and (2) making it easier for military spouses who hold an occupational or professional license in another state to obtain a Maryland license when the family relocates to Maryland.

Prince George's Community College and the County's public schools have an innovative solution: let motivated high schools students work toward both their two-year Associates Degree *and* their high school diploma – at the same time. With your vote, we can make this sort of early access to affordable college credit a reality for more families across our State. 82

Which brings me to the challenge of college completion.

Business leaders I meet with throughout our State tell me we are simply not producing enough college graduates – especially in science, technology, engineering, and math. We've done a good job of getting more of our children *to* college. But we must do a better job of getting more of our students *through* college. 83

Our community colleges are really delivering results: last year they graduated 49% more students than they graduated five years ago. ⁸⁴ They've increased production, and this year I'm asking you to increase their funding so they can do even more.

We need to pick up the pace at our four-year colleges.

Here are some things we can do, together with our university system, that work: we can redesign college curricula and courses to better promote completion. We can move our system toward rewarding a student's competency, and not merely the years he or she spends sitting in a lecture hall. We can rework financial aid so that more students can afford to carry full course loads to complete their degrees on or ahead of time. And we can give students more online options for earning college credit.

⁸⁰ Career and technical education students earning an industry certification or license have increased 38% from FY2009 to FY2012. Last year, 4,680 Maryland high school students graduated with both a high school diploma and an industry certification or license.

⁸¹ The Academy of Health Sciences at Prince George's Community College opened in 2011 as the first early college highs school in the state. Enrolled students receive both a high school diploma and an Associate's degree in Health Science upon graduation from the Academy in typically five years. Last year, over 3,400 students applied for the Academy's 100 spots.

⁸² The proposed FY2014 budget creates a \$2 million Early College Innovation Fund to support an expansion of early college access programs that provide accelerated pathways for students seeking career and technical education or training in science, technology, engineering, and math disciplines. MSDE will make competitive grants from the fund to partnerships of local school systems and higher education institutions that are formed to create early college high schools or other forms of early college access.

⁸³ Less than two-thirds (64.1%) of students at Maryland's four-year colleges graduate with a degree within six years.

⁸⁴ Maryland's community colleges educate and train nearly 145,000 Marylanders each year. Last year, Maryland students earned over 14,250 Associate's degrees- a 49% increase over 2006. The proposed FY2014 budget invests \$229 million in direct aid for Maryland's community colleges as well as \$52 million for capital projects at 11 community colleges to continue this progress.

⁸⁵ Governor O'Malley set a college completion goal that 55% of Marylanders will hold a college degree or certificate by 2025. The proposed FY2014 budget invests \$11.3 million in academic transformation and completion initiatives to meet this goal. Beginning with the University System of Maryland course-redesign efforts four years ago, research verified that redesigned courses contribute significantly to improved learning outcomes, course completion and, ultimately, improved retention and graduation rates. This is particularly important for large introductory level courses where a number of challenges converge such as varied academic preparedness and levels of student retention of material, a lack of student engagement associated with large lecture-based courses, and a lack of coordination among professors teaching numerous sections. Redesigned courses address these shortcomings. In the near term, institutions will continue to focus course-redesign efforts on introductory and "next-level" courses, expanding redesign to disciplines such as engineering and information technology, and projects done in collaboration with community colleges. Redesign will include additional on-line and hybrid courses and development of innovative software to enhance management learning systems. Funds in the FY2014 budget will provide additional support to implement the redesign of 32 courses.

⁸⁶ The Veterans Full Employment Act of 2013 requires that Maryland's public institutions of higher education develop and implement policies for awarding academic credit for relevant military training and education. Such policies, which will reduce the time to degree for veterans as well as the cost of earning a degree or certificate, will help veterans acquire the academic credentials they need to remain competitive in the civilian work force.

⁸⁷ The current profile of new student enrollments with a greater number of low-income and first-generation college students, requires universities to change the way they use financial aid dollars. University System of Maryland will used FY2014 funds to invest in comprehensive

We can reach our goals, but we're going to have to make better choices if we want better results.

A Modern Transportation Network

There's another major job creation action we could take, but so far the consensus has alluded us.

We have the worst traffic congestion in the country.⁸⁸ Building a 21st century transportation network won't happen by itself. We could be creating thousands of jobs and alleviating traffic congestion at the same time. We can either figure this out together, or every citizen in our State will continue to waste more time and more money sitting in more traffic.

To govern is to choose.

PUBLIC SAFETY

The most fundamental responsibility of any government is public safety. It is the passion for improving public safety that drove me into public service.

Thanks to the brave work of law enforcement officers, thanks to better technology, thanks to better strategies, we have driven violent crime down nearly 25% since 2006.

Every life is needed. Every life is important. And every day there is more that we must do.

We lose too many American lives to gun violence.

Who can watch the sad images of the last several weeks, who can see the pictures of those young faces, and honestly say we're doing enough?

Louis in Montgomery County, who joins us also the Gallery, writes, quote: "My wife Dorothy,... and I urgently request your ardent support for a comprehensive ban on all deadly assault weapons,... I am a 92-year old veteran of WWII who spent four years in the service of my beloved country. I believe fervently in our Constitution. What I do not believe in is the,... right to own weapons which should only be used by the military,..."

Four years ago, this Assembly took action to protect the victims of domestic violence from the threat of guns. ⁸⁹ This year, I ask you to take further action, and in a comprehensive way.

early-warning systems and increased advising that research indicates are most effective in improving completion rates. First-year supplemental instruction programs for freshman and transfer students are also planned to boost retention and graduation rates.

⁸⁸ The Washington DC metropolitan area (covering parts of Southern Maryland) has the worst traffic congestion of any "very large urban area" in the nation. DC commuters are delayed an average 74 hours in DC traffic each year wasting approximately 37 gallons of gas. The Baltimore metropolitan area has the worst traffic congestion of any "large urban area" in the nation. Baltimore commuters are delayed an average 52 hours in Baltimore traffic each year wasting an approximately 22 gallons of gas according to the <u>Texas Transportation Institute's</u> 2011 Urban Mobility Report.

⁸⁹ In 2009, the O'Malley-Brown Administration proposed two bills removing firearms from the hands of domestic violent offenders. HB 296/SB 267 made it mandatory, rather than discretionary, for a final protective order to order the respondent to surrender to law enforcement authorities any firearm in the respondent's possession and to refrain from possession of any firearm for the duration of order. HB 302/SB 268 authorized a judge enter in a temporary protective order to order the respondent to surrender to law enforcement authorities any firearms in the respondent's possession for the duration of the order, requires a law enforcement officer to provide specific information to the respondent and to provide safe storage of the firearm and makes it a misdemeanor to fail to comply with an order to surrender the firearms.

I ask you to ban the sale of military-style assault weapons in Maryland. I ask you to require a license for the purchase of all handguns – but not hunting rifles. I ask that you help improve mental health treatment and information sharing, and to expand crisis intervention. I also ask that you invest in security upgrades in our schools.

Last year, the people of Prince George's County teamed with their police department to save 31 more lives, by driving down homicides 33%. ⁹⁴ Effectives tactics, rapid deployment, relentless follow-up – there are things we can do that work to save lives.

Since 2009, we have used forensic DNA technology to take 520 murderers, rapists, and other violent criminals off Maryland's streets. We need to renew our DNA law this year, because DNA technology is a strategy that works.

Effective policing, the Violence Prevention Initiative at Parole & Probation, ⁹⁵ license plate readers, ⁹⁶ digital fingerprinting technology ⁹⁷ – these things work, and we should do more of them. But when we realize that something isn't working and it is also expensive, we should stop doing it.

The death penalty is expensive and it does not work. It is not a deterrent. It cannot be administered without racial bias. It costs three times as much as locking someone up for life without parole. And it cannot be reversed if an innocent person is executed. 98

⁹⁰ Maryland currently bans only 15 enumerated assault pistols, but allows for the sale and possession of high-capacity, military weapons designed for the greatest human carnage. The proposed legislation would establish a ban on all assault weapons, with a focus on the features that enhance a weapon's lethality. It would also reduce the allowable magazine capacity from 20 rounds to 10. When asked if they support a ban on assault weapons in Maryland, 58% of Marylanders said YES.

⁹¹ Proposed legislation would respect the tradition of hunters and sportsmen while implementing common-sense licensing requirements, such as a license for every handgun purchase with age restrictions, mandatory safety training requirements, mandatory fingerprinting, and an attestation that a person is not prohibited with a waiver for a full background check. This would be in addition to the current background check done by the Maryland State Police (MSP) and MSP would continue to do background checks for every handgun purchase. When asked if they would support a proposal to require people to apply for a permit with local law enforcement to purchase a gun, 71% of Marylanders said YES.

⁹² Proposed legislation will double Maryland's first-in-the-nation mental Health First-Aid program training more members of law enforcement, educators and the public in how to identify and respond to mental health crises. Additional proposed legislation will support the development of a Crisis Intervention Team and an Overnight Mobile Crisis Response Team in Baltimore City and increase crisis response services on the Eastern Shore. Legislation will also establish a DHMH-led Task Force to improve continuity of care for individuals in the community mental health system.

⁹³ The FY14 capital budget allocates \$25 million to school security enhancements such as cameras, automatically locking doors, shatter-proof glass and buzzer entrance systems. The Administration has also proposed an Emergency Plan Review initiative to review all school district emergency plans and proposed legislation to establish a Maryland Center for School Safety. The Center, located at the MCAC, would work with all public school and law enforcement stakeholders to ensure a comprehensive approach to school safety, including disseminating information on best practices, providing training and technical assistance, and gathering meaningful data on school safety issues.
94 The hardworking men and women of Prince George's County's law enforcement drove down homicides 33% in 2012 from 95 homicides in 2011 to 64 in 2012- a 26-year low.

⁹⁵ At Governor O'Malley's request the Division of Parole and Probation (now Community Supervision) created the <u>Violence Prevention</u>
<u>Initiative</u> in July 2007. Based on a review of murder and shooting suspects and victim histories, DPP created an easy-to-administer, commonsense risk assessment tool to identify the most dangerous offenders under their supervision. These offenders have a high propensity for committing future violent crimes. DPP makes the identities of these offenders available to local law enforcement so that officers on the street can help DPP closely monitor these offenders' activities and, if necessary, take steps to remove them from the streets in a timely manner. Currently, there are over 2,300 offenders in the VPI throughout the State.

⁹⁶ In 2007, Governor O'Malley, the Governor's Office of Crime Control and Prevention and the Governor's Office of Homeland Security made it a priority to provide funding to law enforcement agencies for License Plate Reader (LPR) technology. Since 2007, the state has invested over \$2.3 million to supply our hard working law enforcement with 371 LPRs. During that time, LPRs have been used to identify and recover 374 vehicles, make 522 arrests, and collected over \$773,000 dollar from LPS identified violations.

⁹⁷ Digital fingerprinting, widely used throughout the State, enables law enforcement to share information across jurisdictions in real-time. The system, known as "live scan", makes a digital scan of fingerprints through glass. Once scanned, the image can be transmitted anywhere online.
98 The Maryland Commission on Capital Punishment, created by an act of the General Assembly in 2008, reviewed Maryland's policies on capital punishment. The 22-member Commission represented a broad diversity of views on capital punishment as well as the racial, ethnic, gender and geographic diversity of the State. The Commission recommended that capital punishment be abolished in Maryland for several

It is time to repeal the death penalty in Maryland and replace it with life without parole.

Consider this: across our ever-more-closely connected world, the majority of executions now take place in just seven countries: Iran. Iraq. The People's Republic of China. North Korea. Saudi Arabia. Yemen. And the United States of America. 99

CONCLUSION

I leave you with these thoughts:

Life is an evolving story of change and choice – a letting go of things and ways that were, in order to reach for that which we have yet to achieve.

It is not some random shuffling of the deck, or a tossing of cards. Life is an intentional process, and it calls for the goodness of our own intentions.

We, in Maryland, are called to work at the center of this intentional movement. For every decision we make, there is a future foretold.

Jobs and opportunity; public safety, public education, public transportation, the health of our people and the health of our planet. These are our concerns; and these are the world's concerns.

It comes to this: do we believe the challenges facing our State and our country are things that are happening "to us," or things that are happening "for us?" If we believe they are happening *to* us, then we are victims. If we believe they are happening *for* us, then every problem is a means to deeper understanding, to greater growth, to more security, and more opportunity.

Let me be specific.

We are one of the most vulnerable states in our country to the impact of sea-level rise. Climate disruption is real. Climate change is not an ideological issue any more than gravity is. It is physics, pure and simple. 100

Maryland might not be able to change what people in India or China do with respect to climate. We can, however, use the prospect of a carbon constrained world as the means to invent a more prosperous future, and to drive innovation, education, industry, jobs, and growth.

reasons: racial disparities exist in Maryland's capital sentencing system; jurisdictional disparities exist in Maryland's capital sentencing system; the costs associated with cases in which a death sentence is sought are substantially higher than the costs associated with cases in which a sentence of life without the possible of pare is ought; despite the advance of forensic sciences the risk of execution of an innocent person is a real possibility; and there is no persuasive evidence that the death penalty deters homicides in Maryland.

⁹⁹ The USA consistently ranks among the top five countries for executions according to Amnesty International.

¹⁰⁰ Maryland has experienced more than a foot of sea level rise in the last century due to the combined forces of regional land subsidence and global sea level rise. Current projections from the Maryland Climate Change Commission indicate that Maryland could see as much as three to four feet of additional rise over the next 100 years. A recent study by the U.S. Geological Survey published in the journal *Nature Climate Change* indicates that the 1,000 kilometer stretch of coast running north from Cape Hatteras to north of Boston is a "hot spot" for sea level rise caused by global warming. The study found that since 1990, sea levels along this stretch (which includes Maryland) are rising at an annual rate three times to four times faster than the global average. The impacts of sea level rise are already increasing our vulnerability to storm events, causing more frequent and severe coastal flooding, inundating our low-lying lands, submerging our tidal marshes, and causing more shore erosion, salt-water intrusion, and higher water tables. Coastal communities are in harm's way, and public funding for disaster relief and restoration will be in increasing demand.

We are a state, yes; but, we can also act like the heart of a forward-moving country whose eyes and ears are open to the world.

We need only the courage to let go. To let go of the falsehoods, the vengeance, the short-sightedness of rash and imbalanced decisions – the things of our past that no longer serve.

And once leaving them behind, we shall have the reach to make a new world – free from fear, and worthy of our children's love and trust.

Thank you.